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FM AMEMBASSY SANTIAGO  
TO RUEHC/SECSTATE WASHDC 5177  
INFO RUEHAC/AMEMBASSY ASUNCION 4060  
RUEHBO/AMEMBASSY BOGOTA 2473  
RUEHBU/AMEMBASSY BUENOS AIRES 1574  
RUEHBR/AMEMBASSY BRASILIA 0992  
RUEHCV/AMEMBASSY CARACAS 2160  
RUEHPE/AMEMBASSY LIMA 6272  
RUEHMN/AMEMBASSY MONTEVIDEO 4478  
RUEHQT/AMEMBASSY QUITO 2475  
RUEAIIA/CIA WASHDC  
RHEFDIA/DIA WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS SANTIAGO 000632

SIPDIS

STATE FOR R/MR, I/PP, WHA/BSC, WHA/PDA, INR/IAA

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TAGS: [KMDR](#) [KPAO](#) [PGOV](#) [ECON](#) [PREL](#) [SNAR](#) [EFIN](#) [CI](#)  
SUBJECT: CHILE MEDIA REPORT - JULY 8

#### Leading Story

¶1. President BacheletQed a second dQree in a month related to AH1N1. The decree instructs clinics and hospitals to give priority to individuals with respiratory diseases and regulates the indiscriminate sale and distribution of antiviral medication. It also grants regional health officials the authority to cancel large public events, if necessary. Chile has 9,135 confirmed cases of AH1N1, of which 381 are in serious condition.

#### Chile-U.S. Military Sales

¶2. Headline: "White House Pressures Chile over its Purchase of Russian Helicopters." U.S. Secretary of Commerce Gary Locke handed the Chilean Embassy in Washington a letter dated July 1, expressing the USG's "disappointment" with the Chilean Air Force's (FaCh) decision to buy five transportation helicopters from Russia. American company Sikorsky was bidding with Black Hawks, but they cost twice as much as the Russians.

¶3. The complaint is of special importance given the recent Obama-Bachelet bilateral. The fact that it was Locke and not another official who filed the complaint puts more pressure on the issue. The Foreign Ministry saQaint was a "delicate matter."

¶4. Defense sources said that although the deal with Russia is not officially sealed, it's a given that Chile will go ahead with it. Bachelet visited Moscow in April with an agenda focusing on defense, trade, and the eventual conclusion of an FTA with Russia. Therefore, Chile's helicopter acquisition would be a gesture to confirm its true interest in strengthening ties with Moscow.

¶5. The daily claims it repeatedly tried to get Secretary Locke's office to comment. Locke has plans to attend the Competitiveness Forum of the Americas in Santiago in September (El Mostrador, on line news agency, 7/7).

¶6. Under Secretary of Foreign Affairs Undersecretary Alberto Van Klaveren downplayed Secretary Locke's letter: "We mustn't magnify situations such as these. It's common for a country that has lost a bid to manifest its disagreement" (El Mostrador, 7/8).

¶7. Defense Ministry sources said yesterday that Chile would buy US\$275 million worth of weapons from the United States, pending U.S. congressional approval. This would be the largest investment the Chilean army has made in decades. The request was placed with the Defense and Security Cooperation Agency (DSCA) just days before the

Bachelet-Obama bilateral on June 23 (El Mercurio on-line, 7/7).

¶8. The list of material to be sold includes long-range artillery with transportation vehicles (M109 A5 and M109 A3 Howitzers), Command Post Carriers (M577 A2), Armored Personnel Carriers (M113 A2), Logistics Carriers (M548 A1), mid-range artillery, automatic grenade launchers, two mobile Firefinder electronic radars to locate artillery, and a unspecified amount of ammunition. Germany had offered the same package, but at a much higher price. The acquisition of this material would make Chile's army the best equipped with heavy artillery in South America, surpassing even Brazil (El Mercurio on-line, 7/7).

¶9. The U.S. Department of Defense notified Congress in June about the possible sale of military equipment to Chile for US\$275 million. The announcement of the deal coincides with yesterday's press report of the USG's "disappointment" over Chile's decision to buy Russian helicopters, rather than U.S. manufactured Black Hawks La Tercera, conservative, independent, 7/8).

Honduras

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¶10. After meeting with Honduran President Zelaya, Secretary of State Hillary Clinton announced that President Oscar Arias, of Costa Rica, would be the mediator in the crisis. He displaces OAS Secretary General Insulza. Clinton urged Zelaya to avoid situations such as last Sunday's, when his attempt to return provoked a military reaction that left one person dead. Clinton called on both parties to "abstain from resorting to acts of violence and to look for a peaceful, constitutional, and long-lasting solution" (Alvaro Vargas Llosa, conservative, independent La Tercera, 7/8).

¶11. Clinton's announcement was perfect for Micheletti, who publicized he had spoken to Arias. A high-level USG source said that the United States had been looking for a mediator to remove Hugo Chavez from the limelight and one that both parties would accept. OAS Secretary General Insulza was perceived as being too close to Zelaya. Michelletti promptly informed the United States that he accepted Arias as mediator (Alvaro Vargas Llosa, La Tercera, 7/8).

URBAN